

TTUS Charge 2 Responses

Texas Tech University System

Interim Charge 2:

Evaluate current and future capital infrastructure needs at Texas public universities, health-related institutions, and Texas State Technical Colleges in preparation for potential legislation to be considered by the 87th Legislature. Identify and evaluate alternatives to tuition revenue bonds for the State's funding of higher education capital infrastructure needs, including options for addressing deferred maintenance needs at aging campuses.

The Texas Tech University System component institutions have greatly benefited from the tuition revenue bonds provided in the past for capital funding for campus infrastructure, new building construction and deferred maintenance and renovation of current facilities.

As our institutions respond to the goals of the Texas Higher Education Coordinating Board's 60X30TX plan for increasing student enrollments and increased education opportunities, it will be necessary for the state to provide additional funding for capital infrastructure.

Due to the COVID pandemic, virtually all renovation maintenance projects have been postponed. The uncertainty of the economic outlook, student enrollment projections, changes in face-to-face versus online educational platform and changes to campus-based activities, have resulted in increased deferred maintenance across the campuses. It is critical now, more than ever, that we update our classrooms and E&G facilities to provide greater enhanced technology infrastructure, reconfigure classroom size with limited occupancy, provide additional safety measures in laboratories, and comply with ADA and life safety regulations.

We are planning for enrollment increases and have specific needs for new buildings as we expand our academic program offerings. Texas Tech University System component institutions have submitted the required campus master plans to the Texas Higher Coordinating Board which includes \$368,155,252 for deferred maintenance and renovation as well as \$898,850,000 for new building construction.

With historic record low cost of borrowing money, we see no better alternative to be able to address our campus infrastructure needs than using tuition revenue bonds.

1. As a result of the pandemic, have institutions' infrastructure needs changed?

The infrastructure needs have increased due to the pandemic. With the uncertainty of enrollments and lower capacity limits of classrooms, labs, and

other activities, infrastructure projects that were in progress have been delayed. Additional reductions in available labor and delayed and limited construction material have reduced or eliminated the planned maintenance projects which adds to the deferred maintenance backlog.

- 2. How have institutions' needs changed since the 86th Legislature? Are there projects that were included in HB 2000 that are no longer needed: i.e., were funded through other means? Are there projects that were not included in HB 2000 that now are a need? If so, why?**

Institutions needs have only increased as there is less funding from other sources to address these projects. The fiscal impact of reduce budgets due to COVID and other economic disruptions necessitates available funding be utilized for higher priority needs. Specifically, for alternative delivery of educational courses and providing additional health and safety

measures for the safe return of students. Funding for deferred maintenance projects are further delayed.

- 3. If the pandemic has changed institutional needs, are there federal funds that could qualify to help offset COVID-related changes?**

To date, the federal funds provided are to offset costs associated with significant changes to delivery of instruction, which could include equipment and software for the online instruction but does not address the capital infrastructure needs.

- 4. Has the economic recession impacted borrowing costs for a potential Tuition Revenue Bond? Are there any anticipated changes to the costs of borrowing in the future, should condition remain as they are?**

The economic recession has driven down our borrowing costs. Case in point, the System priced a new long-term fixed-rate bond on July 8th, 2020 purposed for new construction and refunding the oldest issuance outstanding. The sale resulted in our best and lowest interest cost of 2.53%. The refunding consisted of a final annual payment of TRBs that resulted in saving about \$200,000 in the next biennium. We anticipate no changes to the cost of borrowing as most of our debt is comprised of fixed rate long-term bonds

- 5. Are there financial or other benefits to paying for TRB's with cash rather than borrowing money?**

TRB's is a great tool for the state to pay over time instead of depleting the state's cash all at once. This is especially true in the current economic environment with historic low interest rates. From an issuer perspective, TRB's is funding provided by the State. The issuer is held accountable to make the debt payments. Retaining a high credit rating is key in achieving the lowest cost of capital.

- 6. What kinds of longer-term impacts will we see to institutions if TRB's continue to be push off?**

The delay of TRBs will further postpone critical deferred maintenance needs in aging facilities that will impede meeting the needs of enrollment growth, ability for classroom conversion for course delivery in multiple teaching formats and fail to address safety and security renovations. Cutting edge research relies on modern, well-equipped laboratory space that only TRBs can provide. Modern well-equipped facilities attract the best and brightest researchers that address the important challenges of the citizens of Texas as well as promoting growth on the regional workforce. Furthermore, the longer the delays in addressing the infrastructure needs the greater the costs for the repairs, renovation and construction will be.

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1. As a result of the pandemic, have institutions' infrastructure needs changed?

As a result of the pandemic, infrastructure needs at Texas Tech have increased. In March, Texas Tech paused any new construction or renovation projects unless related to safety and security. Capital projects that were in progress experienced delays in labor and construction materials. The combination of these two items place a greater strain on the existing infrastructure required to meet the needs of an increasing enrollment and additional conversion of classrooms to meet hybrid and online teaching modalities.

2. How have institutions' needs changed since the 86th Legislature? Are there projects that were included in HB 2000 that are no longer needed; i.e., were funded through other means? Are there projects that were not included in HB 2000 that now are a need? If so, why?

Institution needs have only increased as there is less funding from other sources. Projects that were included in HB 2000 are still needed. The fiscal impact of reduced budgets necessitates available funding be utilized for higher priority needs and funding for deferred maintenance projects get further delayed or eliminated.

3. If the pandemic has changed institutional needs, are there federal funds that could qualify to help offset COVID-related changes?

See TTUS response for system components.

- 4. Has the economic recession impacted borrowing costs for a potential Tuition Revenue Bond? Are there any anticipated changes to the costs of borrowing in the future, should conditions remain as they are?**

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- 5. Are there financial or other benefits to paying for TRBs with cash rather than borrowing money?**

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- 6. What kinds of longer-term impacts will we see to institutions if TRBs continue to be pushed off?**

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Angelo State University

Evaluate current and future capital infrastructure needs at Texas public universities, health-related institutions, and Texas State Technical Colleges in preparation for potential legislation to be considered by the 87th Legislature. Identify and evaluate alternatives to tuition revenue bonds for the State's funding of higher education capital infrastructure needs, including options for addressing deferred maintenance needs at aging campuses.

- 1. As a result of the pandemic, have institutions' infrastructure needs changed?**

As a result of the pandemic, infrastructure needs have changed. Angelo State has deferred construction projects that were originally scheduled, in favor of focusing on technology upgrades needed for many modes of delivery for instruction as we adapt to the social distancing needs of our faculty and students.

- 2. How have institutions' needs changed since the 86th Legislature? Are there projects that were included in HB 2000 that are no longer needed; i.e., were funded through other means? Are there projects that were not included in HB 2000 that now are a need? If so, why?**

Institution needs have only increased as there is less funding from other sources. The project that were included in HB 2000 was built with other funding sources. The fiscal impact of reduced budgets necessitates available funding be utilized for higher priority needs and funding for deferred maintenance projects get further delayed.

3. **If the pandemic has changed institutional needs, are there federal funds that could qualify to help offset COVID-related changes?**

See TTUS response for system components.

4. **Has the economic recession impacted borrowing costs for a potential Tuition Revenue Bond? Are there any anticipated changes to the costs of borrowing in the future, should conditions remain as they are?**

See TTUS response for system components.

5. **Are there financial or other benefits to paying for TRBs with cash rather than borrowing money?**

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6. **What kinds of longer-term impacts will we see to institutions if TRBs continue to be pushed off?**

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Texas Tech University Health Sciences Center

Evaluate current and future capital infrastructure needs at Texas public universities, health-related institutions, and Texas State Technical Colleges in preparation for potential legislation to be considered by the 87th Legislature. Identify and evaluate alternatives to tuition revenue bonds for the State's funding of higher education capital infrastructure needs, including options for addressing deferred maintenance needs at aging campuses.

1. **As a result of the pandemic, have institutions' infrastructure needs changed?**

Texas Tech University Health Sciences Center's (TTUHSC) infrastructure needs have not changed due to the pandemic.

2. **How have institutions' needs changed since the 86th Legislature? Are there projects that were included in HB 2000 that are no longer needed; i.e., were funded through other means? Are there projects that were not included in HB 2000 that now are a need? Is so, why?**

Texas Tech University Health Sciences Center's (TTUHSC) current priority is upgrading existing research space. If pursued, the project included in HB 2000 will be funded from philanthropic resources.

3. If the pandemic has changed institutional needs, are there federal funds that could qualify to help offset COVID-related changes? **See TTUS response for system components.**
4. Has the economic recession impacted borrowing costs for a potential Tuition Revenue Bond? Are there any anticipated changes to the costs of borrowing in the future, should conditions remain as they are? **See TTUS response for system components.**
5. Are there financial or other benefits to paying for TRBs with cash rather than borrowing money? **See TTUS response for system components.**
6. What kinds of longer-term impacts will we see to institutions if TRBs continue to be pushed off? **See TTUS response for system components.**

Texas Tech University Health Sciences Center El Paso

Evaluate current and future capital infrastructure needs at Texas public universities, health-related institutions, and Texas State Technical Colleges in preparation for potential legislation to be considered by the 87th Legislature. Identify and evaluate alternatives to tuition revenue bonds for the State's funding of higher education capital infrastructure needs, including options for addressing deferred maintenance needs at aging campuses. 2

1. As a result of the pandemic, have institutions' infrastructure needs changed?

- TTUHSCEP's needs have not changed, with increased class sizes as well as the inception of the Hunt School of Dental Medicine, each student class condenses further into the existing space.
- Most coursework was rapidly transitioned to online learning formats, which required fiscal investment for instructional technology support, software and servers.
- Health Related Institutions include academic and clinical missions that require high levels of staff and faculty support to ensure that the appropriate clinical skills are acquired and informed by pandemic conditions.

2. How have institutions' needs changed since the 86th Legislature? Are there projects that were included in HB 2000 that are no longer needed; i.e., were funded through other means? Are there projects that were not included in HB 2000 that now are a need? If so, why?

- The institution's needs have not changed but the need for health care professional educational opportunities and graduates has escalated.
- The Hunt School of Dental Medicine is currently having to occupy space in two different temporary locations that are not designed for proper dental learning workflow. The demand for dentists during the pandemic clearly supports the need for dentists in the Paso del Norte region, as well as the need for a community clinic staffed by Hunt School of Dental Medicine faculty, staff, students and community faculty.

3. If the pandemic has changed institutional needs, are there federal funds that could qualify to help offset COVID-19 -related changes?

- **See TTUS response for system components.**

4. Has the economic recession impacted borrowing costs for a potential Tuition Revenue Bond? Are there any anticipated changes to the costs of borrowing in the future, should conditions remain as they are?

- **See TTUS response for system components.**

5. Are there financial or other benefits to paying for TRBs with cash rather than borrowing money?

- **See TTUS response for system components.**

6. What kinds of longer-term impacts will we see to institutions if TRBs continue to be pushed off?

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